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MART

BUSINESS IDEAS FOR TODAY'S RETAILERS AND DISTRIBUTORS

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COMPANY CLOSEUP

Will new management and products keep Commodore on the comeback trail?

HOME ELECTRONICS

From a $1,200 VCR to a $3.95 battery checker, MART editor's pick this month's goodies.

APPLIANCES

Find out why more dealers are warming up to solid discs.

THE NEW POWER OF BUYING GROUPS

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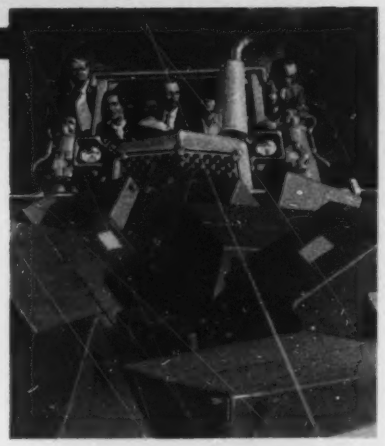
Business Ideas for Today's Retailers and Distributors

COVER STORY



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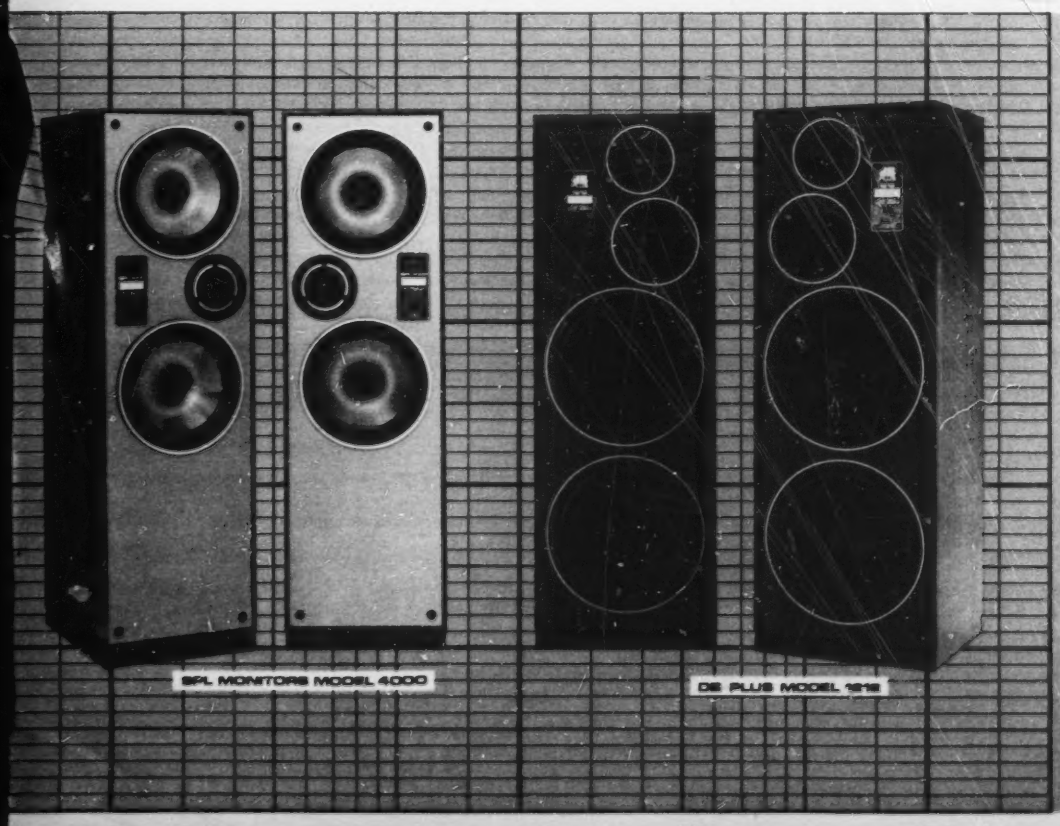

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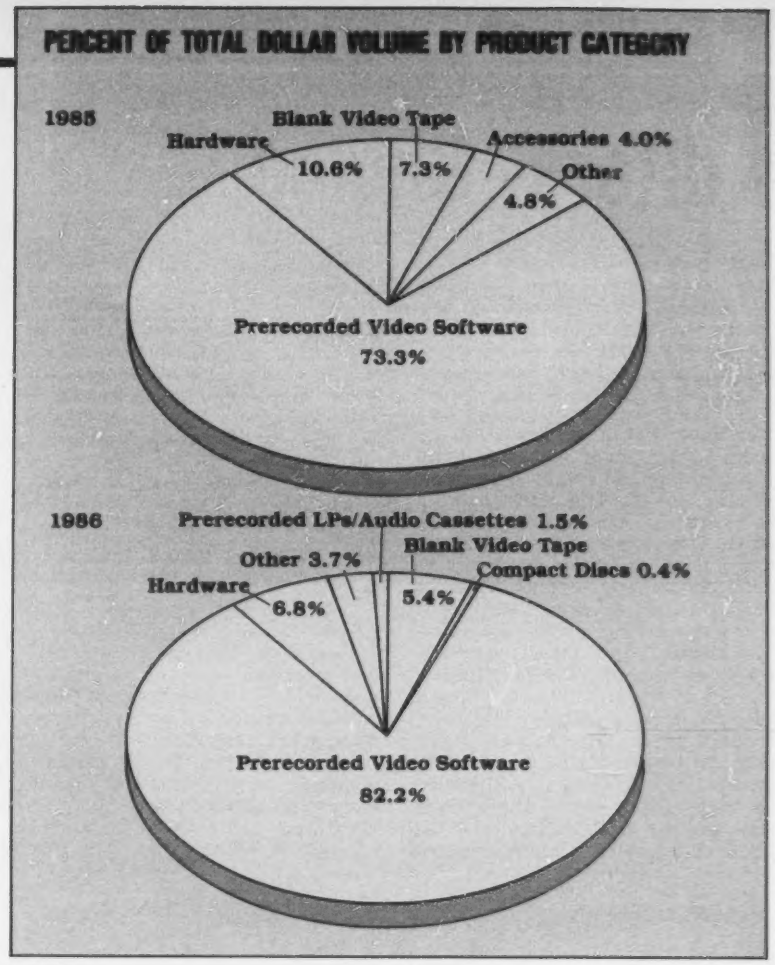
Video shops holding ground, survey reveals

VSDA finds more titles and increased business at member stores.



VCR sales are leveling. Supermarkets and convenience stores are using video software as a loss leader. Sales of prerecorded tapes have improved, but they're still below many people's expectations. The corner video shop has to be under tremendous pressure these days.

You would think so, but according to the Video Software Dealers Association's 1986 membership survey, business is fine. In fact, for most of VSDA's 3,500 members — who collectively control some 15,000 video outlets in this country — business was "up" last year compared to the 1984-85 period. Only 10 percent of those surveyed said business was "down" (8 percent) or "the same" (2 percent) compared to two years earlier.

VSDA dealers may be doing well, in part, because many are stocking more titles than ever before. This finding supports studies suggesting that superstores are the wave of the future. The average number of titles per store rose to 2,417 last year, according to VSDA's survey, up from 1,968 in 1985. And inventory units increased dramatically to an average of 3,478 units per store compared to 2,589 the year before.

Sales of video cassettes — not rentals — brought more dollars to the bottom line last year than in 1985, according to 95 percent of the dealers surveyed. However, the VSDA report did not indicate how much more. And due to Hollywood's biggest sales push ever, the average price of tapes sold was $29, considerably less than the $37.23 customers typically paid in 1985.

On a per-sales-transaction basis, the number of titles averaged out to 1.2, which means that customers who collect videos rarely buy more than one at a time.

On the rental side — which is still by far the bread and butter for video dealers — the number of titles rented on a per-transaction basis averages out to 2.3. And while rental dollar volume increased in 1986 for 90 percent of VSDA's members, the average rental fee dropped to $2.40 from $2.66 in 1985.

The VHS format's stranglehold on the marketplace tightened in 1986. VSDA members reported that VHS claimed 93 percent of their prerecorded video dollar volume on average. This compares to 83.7 percent a year earlier. Beta's 10 percent slide begs the question: How much longer will Hollywood continue to offer titles in the original consumer video format?

Despite new convenience store, supermarket and bookstore members, VSDA is still overwhelmingly a trade group for smaller, specialty dealers. Almost 90 percent of the organization's members run specialty operations. Most of these stores are located in "strip centers" (59.9 percent), 26.8 percent are free-standing and 7.8 percent operate in shopping malls.

Last year, 84.2 percent of VSDA's members did $1 million or less in gross dollar volume. The single largest dollar category was "$100,000 to $250,000" (37 percent). Next was "$250,000 to $500,000" (20.6 percent), followed by "under $100,000" (13.5 percent) and "$500,000 to $1 million" (13.1 percent).

VSDA member stores tend to be fairly spacious with an average of almost 2,100 square feet.

The stores also typically operate 10.5 hours a day, with Friday and Saturday being the longest business days at 11.3 hours. On Sunday, stores are open 8.2 hours on average.

One conspicuous finding of the 1986 survey was that many VSDA dealers are still living in the Dark Ages when it comes to running their predominantly rental businesses. More than one-quarter (27 percent) are *not* yet computerized. This is a shade above 1985's figure, suggesting that computer purchase plans may be on hold. This finding is perplexing when you consider that today's video outlets are handling more titles than ever before.

The video renting and buying public still prefers action/adventure and comedy titles above other genres. Among stores that carry adult video, these categories represented 17.8 and 17.9 percent of software dollar volume in 1986, respectively. For stores that don't stock X-rated material, the percentages were 20.2 and 19.6, respectively. Action/adventure and comedy also topped the list in the 1985 survey, although they represent a slightly lower percentage of the whole in the latest survey.

Other popular genres are drama (13.5 percent), adult (it accounts for 12.7 percent of dollar volume among those who stock it) children's programming (9.5 percent) and science fiction (7 percent). See the accompanying chart for a breakdown of other genres.

It appears that the Meese Commission's widely-criticized report on pornography may have prompted at least some dealers to pull the plug on X-rated sales and rentals in 1986. Fewer VSDA members stocked adult video (77 percent) compared to 1985, when 83 percent stocked the category.

Perhaps the best news is that video software is still a cash business. Last year almost 75 percent of VSDA member's dollar volume was done in greenbacks, up from 68 percent the year before. □

Bob Ankosko